

Wednesday, January 1, 2014

Carolyn Cavecche: Ending wasteful spending programs By Carolyn Cavecche / For the Register

Politicians love to talk on the campaign trail about rooting out waste from government. We always hope that the talk will eventually lead to results. The Board of Equalization has actually done it. Their action, and the leadership of Orange County's representative on the Board, Vice Chair Michelle Steel, will soon lead to the release of up to a quarter-billion dollars to California taxpayers.

On Dec. 17 all five members of the Board of Equalization voted in bipartisan support of a staff proposal to eliminate the agency's automatic security deposit requirement for taxpayers who register for a seller's permit and to begin releasing most existing security deposits to California business owners.

The BOE is currently holding over \$296 million in security deposits, \$67 million of which has been posted in cash and other liquid assets by over 11,000 taxpayers. The remaining deposits are posted as surety bonds, which require high annual premiums to maintain, and personal guarantees from taxpayers. More than half of these deposits will be released over the coming months.

Releasing these deposits will boost the economy by providing small-business owners much needed capital that is currently being stored away by the state. About 2,000 taxpayers in Orange County alone could receive a refund.

Michelle Steel had been pushing for this change in policy since late 2007, when she discovered that the Board had been improperly holding security deposits long over the three-year timeframe prescribed in law. At the time, the Board released \$42 million in security deposits to over 5,500 small businesses across the state.

This year, the Board reviewed program statistics from fiscal years 2009-10 through 2011-12 and conducted a benefit-to-cost analysis, which showed that the benefit of the program has been steadily declining each year, making the automatic security program unnecessary and a waste of state resources.

Under state law, certain businesses can be required to post and maintain a tax security deposit of anywhere between \$2,000 and \$50,000 for their first three years of operation. The agency had obtained security deposits when new business owners registered for a seller's permit. Security deposits had been automatically required for corporations and LLC's.

These security deposits are meant to act as insurance against possible future liabilities and therefore do not count as state revenue unless they are actually applied to a liability. But the staff analysis found that, on average, less than 1 percent of security was applied to liabilities.

The Board's action will free future business owners from the onerous requirement of posting a security deposit and allowing them instead to use that precious capital to get their businesses off the ground, hire employees, and support their families.

The board estimates that programming changes required to update the agency's online registration program will be completed by March. Until then, taxpayers will be informed that a security deposit is no longer necessary. Beginning in February, the state will begin to release eligible security deposits starting with the oldest first.

This is a great victory for California's job creators, who will be able to use their scarce capital to grow, hire and improve the economy for all of us.

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